

The Borden Company

ESTABLISHED 1857

AND ALL SUBSIDIARY COMPANIES

ANNUAL REPORT

For the fiscal year ended December 31, 1925



March 1926 · THE BORDEN COMPANY · *New York*

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ANNUAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1925



March 1926
THE BORDEN COMPANY
New York

THE BORDEN COMPANY

DIRECTORS

UNION N. BETHELL	ALBERT G. MILBANK	SHEPARD RARESHIDE
LEWIS M. BORDEN	ARTHUR W. MILBURN	HENRY C. SHERMAN
ALBERT T. JOHNSTON	GEORGE L. NICHOLS	ROBERT STRUTHERS

OFFICERS

ALBERT G. MILBANK, *Chairman Board of Directors*
ARTHUR W. MILBURN, *President*
ALBERT T. JOHNSTON, *Vice-President*
SHEPARD RARESHIDE, *Vice-President and Treasurer*
CHARLES C. LOBECK, *Vice-President*
WALLACE D. STRACK, *Vice-President*
WILLIAM P. MARSH, *Secretary and Assistant Treasurer*
GEORGE M. WAUGH, JR., *Controller and Assistant Secretary*
STEPHEN J. DEBAUN, *Assistant Treasurer*

GENERAL OFFICES

THE BORDEN COMPANY

350 Madison Avenue, New York City 503 Market Street, San Francisco
510 North Dearborn Street, Chicago 180 St. Paul Street West, Montreal, Canada
BORDEN'S FARM PRODUCTS COMPANY, Inc.
110 Hudson Street, New York City 326 West Madison Street, Chicago
120 Murray Street, Montreal, Canada

Transfer Agent, SEABOARD NATIONAL BANK, 115 Broadway, New York City
Registrar, BANKERS TRUST COMPANY, 16 Wall Street, New York City
Counsel, MASTEN & NICHOLS, 49 Wall Street, New York City

CORPORATE ORGANIZATION AND SCOPE

MAY 31-32 OTIS HG THE business of your Company may be divided into two parts:

(1) The manufacture and sale of milk products comprising:

CONDENSED MILK	CONDENSED COFFEE AND MILK
EVAPORATED MILK	CONDENSED COCOA AND MILK
DRIED MILK	CARAMELS
MALTED MILK	

(2) The purchase, preparation and distribution of fresh milk, cream and other dairy products by a system of wagon deliveries.

THE manufacturing operations are conducted by The Borden Company (which dates back to 1857 in the production of Eagle Brand Condensed Milk), and its following manufacturing subsidiaries:

<i>Corporate Name</i>	<i>Percentage of Stock Owned</i>
THE BORDEN SALES CO., INC.	100%
BORDEN'S PREMIUM CO., INC.	100%
THE BORDEN WESTERN COMPANY	100%
THE BORDEN COMPANY OF UTAH	100%
THE BORDEN SOUTHERN COMPANY	100%
THE BORDEN COMPANY OF PENNSYLVANIA	100%
THE BORDEN COMPANY, LTD. (CANADA)	100%
BORDEN REALTY CORPORATION	100%

THE fresh milk and dairy products distribution in the so-called Metropolitan District of New York City and adjacent territory, in Chicago, Ill., and its suburbs, and in Montreal, Canada, is conducted by subsidiaries as follows:

<i>Corporate Name</i>	<i>Percentage of Stock Owned</i>
BORDEN'S FARM PRODUCTS CO., INC.	100%
BORDEN'S FARM PRODUCTS CO. OF ILL.	100%
BORDEN'S FARM PRODUCTS CO., LTD. (CANADA)	100%

C O M M E N T

IT seems proper to first direct your attention to the Balance Sheet of December 31, 1925 because of the important changes, both as to form and figures, reflected therein and principal among which are the following:

Property, Plant and Equipment

To the item of Property, Plant and Equipment, in addition to the year's extension and betterment expenditures, there has been added the net sum of \$8,739,944.41, being the result of a re-appraisal of the properties of three of the Company's subsidiaries as made by Messrs. Ford, Bacon and Davis of New York City. This appreciation of \$8,739,944.41 of property values has, because of its very nature, received special treatment as more particularly explained later. (See "Appropriations" on Page 10 of this report.)

"Reserve for Property Depreciation" previously reported under "Reserves" has, in accordance with best modern practice, been directly applied to the reduction of the asset item of "Property, Plant and Equipment," thus showing this item at net sound values.

The increase in the amount of "Mortgages on Madison Avenue Office Building Properties," is the result of the purchase during the year by "The Borden Realty Corporation" of adjoining property on 45th Street which, in addition to its investment value, serves, together with control of the property on Madison Avenue adjoining on the south, to protect our building from developments that would interfere with the excellent light and air it now enjoys with consequent effect of rental values and comfort of the occupants.

Appropriation of Surplus Created by Re-Appraisal of Certain Subsidiary Companies' Properties

The surplus created by the re-appraisal referred to and amounting to \$8,739,944.41 was appropriated as follows:—

For the reduction of Good-Will to a figure of \$2,500,000 (being less than the cash cost of Good-Will from time to time purchased) . . \$3,891,356.63

For Premium on Retirement of Preferred Stock at \$110 (75,000 shares @ \$10.00 per share) 750,000.00

To a Reserve to provide against Obsolescence, etc., as differentiated from ordinary physical depreciation and applying to certain manufacturing plants not included in the re-appraisal 1,000,000.00

To a Contingency Reserve 3,098,587.78

Total \$8,739,944.41

By this action the appreciation of values resulting from re-appraisals of part of the Company's properties has been so appropriated as to not directly affect Surplus Account.

Current Assets

Cash on hand December 31, 1925 of \$8,663,379.78 compares with \$7,018,028.71 on hand at the close of the previous year.

"Reserve for Doubtful Accounts" also previously reported under "Reserves" has been directly applied to the reduction of "Accounts Receivable."

The use of previously created special reserves together with revaluation and reclassification of certain investments of the Company is reflected in the item of "Marketable Securities" and the elimination of "Investments in Stocks of other Companies". These valuations are well under market values.

Increase in the item of "Finished Goods" reflects a more normal and adequate inventory than that of the previous year.

Net Working Capital and Ratio of Current Assets

Net Working Capital amounted on December 31, 1925 to \$17,763,441.19 as compared with \$12,445,790.76 on December 31, 1924.

Current Assets as of December 31, 1925 amounted to \$2.98 for every \$1.00 of Current Liabilities.

Mortgages

The item "Mortgages" is \$44,750 less than at the close of the year 1924.

Purchase Money Notes

The item "Purchase Money Notes" reflects notes given in connection with plants purchased.

Note due June, 1927

The redemption of the Preferred Stock on December 15, 1925 called for the expenditure of \$110 per share on 75,000 shares and amounted to \$8,250,000. This expenditure was financed by drawing on the Company's cash to the extent of \$2,250,000, and the balance of \$6,000,000 was provided by a favorable bank loan contract. A feature of this contract was the giving of a note which, while not due until June 1927, could be anticipated under the terms of the contract.

This note was paid in full January 27, 1926.

Capital Stock

The "Capital Stock" account has, of course, changed during the year and reflects the shares of Common outstanding December 31, 1925 and the retirement of the Preferred Stock.

There was issued to stockholders or their assignees during the year 63,508 shares of Common at \$50.00 per share.

The report for the year 1926 will reflect the issuance of an additional 82,290 shares of Common Stock on February 15, 1926 at \$75.00, which issuance will have the effect of adding substantially to Surplus.

Reserves

This Balance Sheet item of "Reserves" has, of course, been affected by the special and regular appropriations herein set forth and specially referred to, and, as well, by the transfer from this account of reserves now directly applied to the several asset accounts.

Sales

Sales for 1925 were \$123,352,832.65 as compared with \$109,666,633.01 in 1924. These are the largest sales in the history of the Company, even exceeding the peak war and post-war years.

Net Income

Net Income for 1925 was \$6,297,235.36, compared with \$5,412,705.62 in 1924, being the largest earnings in the history of the Company although only 5.10% on Sales.

This is the equivalent of \$10.65 per share of Common Stock (Par \$50) outstanding December 31, 1925 after the full year's dividends on the Preferred Stock now retired.

Collections and Credits

Collections were again excellent with very small credit losses.

Stockholders

The stock records show a total of 4805 holders of the Company's stock (now all Common) with an average individual holding of 114 shares. Employees hold an aggregate of 61,059 shares.

Report of Special Stockholders' Meeting

It is with great satisfaction that a report is made of the result of the Special Meeting of Stockholders on March 10, 1926.

There were 495,416 shares of stock represented, either in person or by proxy, being about 80% of the outstanding stock eligible to vote.

The stockholders voted overwhelmingly to sustain the action of the Directors on all of the matters brought before the meeting, including the approval and ratification of the Company's profit sharing plans and the modifications thereof as proposed by the Directors, and the ratification of all acts done by the Directors and Officers in respect thereof in the past, there being only 506 shares voting in opposition thereto.

The action of the Officers and Directors in connection with the underwriting of the recent issue of stock was also overwhelmingly approved and ratified, the same 506 shares voting in opposition.

Of these 506 shares, 253 shares were voted by Clarence H. Venner and 253 shares by Mr. Venner's company, The Continental Securities Company, these two stockholders being now engaged in litigation against the Company and its Directors, as to which stockholders have heretofore been advised.

There were a greater number of stockholders not identified with the Management present in person at this meeting than ever before. Full and detailed information as to all of the matters coming before the meeting was submitted during the five hours which the meeting was in session. Among the matters submitted was a full report by Messrs. Haskins & Sells, Certified Public Accountants, of the detailed working of all profit sharing plans. Included in this report was an analysis of the expenditure of \$4,415,423.78 for profit sharing purposes during the seven year period from January 1, 1919 to December 31, 1925, inclusive, advice of which expenditure was included in a circular letter to Stockholders, dated February 20, 1926. The analysis showed this total \$4,415,423.78 expenditure as including \$954,228.74 of profit sharing distribution applicable to the year 1925, which amount is included, as in previous years, in the item of "Appropriations to Reserves" appearing in the accompanying "Statement of Consolidated Income and Profit and Loss," and was distributed among 327 Employees and Officers.

This gratifying endorsement by the Stockholders is deeply appreciated by the Directors and Officers of the Company.

The Organization

It gives pleasure to acknowledge with great appreciation the splendid spirit and intelligent service of the organization serving the business throughout the year.

Respectfully submitted,

ARTHUR W. MILBURN,

President.

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

Consolidated General Balance Sheet, December 31, 1925

ASSETS -

PROPERTY, PLANT AND EQUIPMENT:

Including Madison Ave. Office Building
Properties, and Re-appraisal Adjustment \$48,049,218.32

LESS:

Mortgages—Madison Ave. Office Building
Properties \$1,905,000.00
Reserve for Depreciation 11,784,821.63 13,689,821.63

NET SOUND VALUES \$34,359,396.69

CURRENT ASSETS:

Cash \$8,663,379.78
Receivables—Less Reserve for Doubtful Ac-
counts 5,359,588.97
Marketable Securities 5,022,491.25
Finished Goods 5,086,748.69
Raw Materials and Supplies 2,618,969.29 26,751,177.98

DEFERRED AND SUSPENDED ASSETS 164,573.90

TRADE MARKS, PATENTS, AND GOOD WILL 2,500,000.00

TOTAL \$63,775,148.57

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

Consolidated General Balance Sheet, December 31, 1925

LIABILITIES

MORTGAGES	\$201,250.00
PURCHASE MONEY NOTES (Maturing in 1927 or thereafter)	264,000.00
NOTE DUE JUNE, 1927	*6,000,000.00

CURRENT LIABILITIES:

Accounts Payable	\$6,228,492.62	
Accrued Accounts—Taxes (estimated), etc.	2,759,244.17	8,987,736.79

DEFERRED AND SUSPENDED LIABILITIES	21,383.47
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TOTAL LIABILITIES TO OTHER THAN STOCKHOLDERS	\$15,474,370.26
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CAPITAL STOCK—THE BORDEN COMPANY:

548,606 shares Common (\$50.00 each)	\$27,430,300.00
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RESERVES:

Insurance, Contingencies, Obsolescence, etc.	8,659,143.05
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SURPLUS	12,211,335.26
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TOTAL CAPITAL STOCK, RESERVES AND SURPLUS	\$48,300,778.31
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TOTAL	\$63,775,148.57
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* Note Paid in full January 27, 1926.

*Statement of Consolidated Income and Profit and Loss
for the Year Ended December 31, 1925*

[10]

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

37 WEST 39TH STREET

NEW YORK

ATLANTA
BALTIMORE
BIRMINGHAM
BOSTON
BUFFALO
CHICAGO
CINCINNATI
CLEVELAND
DALLAS
DENVER
DETROIT

KANSAS CITY
LOS ANGELES
MINNEAPOLIS
NEWARK
NEW ORLEANS
NEW YORK
PHILADELPHIA
PITTSBURGH
PORTLAND
PROVIDENCE
SAINT LOUIS

SALT LAKE CITY
SAN DIEGO
SAN FRANCISCO
SEATTLE
TULSA
WATERTOWN

BERLIN
LONDON
PARIS
SHANGHAI

CANADA • CUBA • MEXICO

DELOITTE, PLENDER, HASKINS & SELLS

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

CERTIFICATE OF AUDIT

WE have audited the books and accounts of The Borden Company and its Subsidiary Companies for the year ended December 31, 1925.

We have verified the accounts representing cash and securities either by examination of such assets or by obtaining certifications of depositaries.

The charges to property accounts have been controlled by a conservative policy. Adequate reserves have been provided for depreciation of property and for possible losses, and full provision has been made for all known liabilities.

The inventories of finished goods and raw materials and supplies represent book balances as shown by the inventory records, which are adjusted from time to time to agree with physical inventories, and which were examined and appear to be correct, all inventory valuations being based upon cost or market, whichever was lower.

WE HEREBY CERTIFY that, in our opinion, the accompanying Consolidated General Balance Sheet and Statement of Consolidated Income and Profit and Loss correctly exhibit, respectively, the financial condition of the Companies at December 31, 1925 and the results of their operations for the year ended that date.

HASKINS & SELLS

New York, March 12, 1926.

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Borden's